

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH FINANCING ADMINISTRATION
DEPARTMENT OF HUMAN SERVICES

1. TRANSMITTAL NUMBER:

15 - 0001

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)
TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE
January 1, 2015

5. TYPE OF PLAN MATERIAL (Check One):

☐

NEW STATE PLAN

☐

AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒

AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447

7. FEDERAL BUDGET IMPACT:

a. FFY 2015 \$0

b. FFY 2016 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Page 25

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):
Attachment 4.19-A, Page 25

10. SUBJECT OF AMENDMENT:

Inpatient Hospital Capital Reimbursement Methodology

11. GOVERNOR'S REVIEW (Check One):

☐

GOVERNOR'S OFFICE REPORTED NO COMMENT

☐

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐

NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒

OTHER, AS SPECIFIED:

Stephen Fitton, Director

Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Stephen Fitton

14. TITLE:

Director, Medical Services Administration

15. DATE SUBMITTED:

March 30, 2015

16. RETURN TO:

Medical Services Administration
Actuarial Division - Federal Liaison
Capitol Commons Center - 7th Floor
400 South Pine
Lansing, Michigan 48933

Attn: Erin Black

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPE NAME:

22. TITLE:

23. REMARKS:



3588131

Order Confirmation

Ad Order Number 0007180036

Customer

Account: 1000580354
MICHIGAN DEPARTMENT COMMUNITY HEALTH
PO BOX 30479
LANSING MI 48909-7979 USA
(517)241-9444

FAX:
smithp2@michigan.gov

Payor Customer

Account: 1000580354
MICHIGAN DEPARTMENT COMMUNITY HEALTH
PO BOX 30479
LANSING MI 48909-7979 USA
(517)241-9444

PO Number

Sales Rep. jpuplis
Order Taker jpuplis
Order Source Phone
Special Pricing

Tear Sheets 1	Net Amount	\$559.74
Proofs 0	Tax Amount	\$0.00
Affidavits 0	Total Amount	\$559.74
Blind Box	Payment Method	Invoice
Promo Type	Payment Amount	\$0.00
Materials	Amount Due	\$559.74
Invoice Text	CAPITAL REIMBURSEMENT METHODOLOGY	

Ad Schedule

Product	Flint Journal	Placement/Class	Announcements
# Inserts	1	POS/Sub-Class	Public Notices - Public Notices
Cost	\$148.68	AdNumber	0007180036-01
Ad Type	CLS Liner	Ad Size	1 X 48.00 II
Pick Up #	0007188793	Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICEMICHIGANDEPARTMENTOFCOMMUNITYHEALTHMEDICALSERVICESADMINISTRATIONINPATIENTCA	
12/18/2014			

Product	MMG_Other Premium	Placement/Class	Announcements
# Inserts	1	POS/Sub-Class	Public Notices - Public Notices
Cost	\$50.25	AdNumber	0007180036-01
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Pick Up #	0007188793	Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICEMICHIGANDEPARTMENTOFCOMMUNITYHEALTHMEDICALSERVICESADMINISTRATIONINPATIENTCA	
12/18/2014			

Product	Grand Rapids Press	Placement/Class	Announcements
# Inserts	1	POS/Sub-Class	Public Notices - Public Notices
Cost	\$199.08	AdNumber	0007180036-01
Ad Type	CLS Liner	Ad Size	1 X 48.00 II
Pick Up #	0007188793	Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICEMICHIGANDEPARTMENTOFCOMMUNITYHEALTHMEDICALSERVICESADMINISTRATIONINPATIENTCA	
12/18/2014			

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12/15/2014

11:53AM

Product	Kalamazoo Gazette	Placement/Class	Announcements
# Inserts	1	POS/Sub-Class	Public Notices - Public Notices
Cost	\$74.09	AdNumber	0007180036-01
Ad Type	CLS Liner	Ad Size	1 X 48 00 II
Pick Up #	0007168793	Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICEMICHIGANDEPARTMENTOFCOMMUNITYHEALTHMEDICALSERVICESADMINISTRATIONINPATIENTCA	
12/18/2014			

Product	Saginaw News	Placement/Class	Announcements
# Inserts	1	POS/Sub-Class	Public Notices - Public Notices
Cost	\$80.64	AdNumber	0007180036-01
Ad Type	CLS Liner	Ad Size	1 X 48 00 II
Pick Up #	0007168793	Ad Attributes	
External Ad #		Color	<NONE>
Production Method	AdBooker	Production Notes	
Run Dates	Sort Text	PUBLICNOTICEMICHIGANDEPARTMENTOFCOMMUNITYHEALTHMEDICALSERVICESADMINISTRATIONINPATIENTCA	
12/18/2014			

0007180036-01

Ad Content Proof

PUBLIC NOTICE
Michigan Department
of Community Health
Medical Services
Administration

Inpatient Capital Reim-
bursement Methodology

Effective January 1, 2015, the Michigan Department of Community Health will modify its inpatient capital reimbursement methodology to a hospital-specific prospective rate. The State is eliminating its capital cost settlement process. This process will be completed in a manner that is budget neutral to the State of Michigan.

Any comments on, or requests for copies of the Notice of Proposed Policy may be submitted in writing to: Michigan Department of Community Health, Actuarial Division, Bureau of Medicaid Policy and Health System Innovation, Attention Jason Jorkasky, P.O. Box 30479, Lansing, Michigan 48909-7979. Written comments may be reviewed by the public at Capitol Commons Center, 400 South Pine Street, Lansing, Michigan. Request for copies and comments must include the project number. There is no public hearing scheduled for this proposed policy.



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

NICK LYON
DIRECTOR

January 29, 2015

NAME
TITLE
ADDRESS
CITY STATE ZIP

Dear Tribal Chair and Health Director:

RE: Inpatient Hospital Capital Reimbursement Methodology

This letter, in compliance with Section 1902(a)(73) and Section 2107(e)(1)(C) of the Social Security Act, serves as notice of intent to all Tribal Chairs and Health Directors of the request by the Michigan Department of Community Health (MDCH) to submit a State Plan Amendment.

Pending approval by the Centers for Medicare and Medicaid Services, the Michigan Medicaid State Plan will reimburse inpatient hospital providers for capital costs on a prospective basis. Effective for January 1, 2015, a prospective per-discharge capital amount will be calculated for medical/surgical hospitals, including critical access hospitals and children's hospitals. Freestanding rehabilitation hospitals, distinct part rehabilitation units, and state psychiatric hospitals will be reimbursed a prospective per diem capital rate. Previously, capital costs for inpatient hospital providers were cost-settled. The new capital payment methodology maintains the same reimbursement formula, but uses historical data to make the payments on a prospective basis. This change will be completed in a manner that is budget neutral to the State of Michigan. The State of Michigan expects these changes will have little or no impact on tribal members.

There is no public hearing scheduled for this State Plan Amendment. Input regarding this Amendment is highly encouraged, and comments regarding this Notice of Intent may be submitted to Lorna Elliott-Egan, MDCH Liaison to the Michigan Tribes. Lorna can be reached at (517) 373-4963 or via e-mail at Elliott-EganL@michigan.gov. **Please provide all input by March 1, 2015.**

In addition, MDCH is offering to set up group or individual meetings for the purposes of consultation in order to discuss this Amendment, according to the tribes' preference. This consultation meeting will allow tribes the opportunity to address any concerns and voice any suggestions, revisions, or objections to be relayed to the author of the proposal. If you would like additional information or wish to schedule a consultation meeting, please contact Lorna Elliott-Egan at the telephone number or email address provided above.

MDCH appreciates the continued opportunity to work collaboratively with you to care for the residents of our state.

Sincerely,

A handwritten signature in black ink that reads "Stephen Fitton". The signature is written in a cursive, flowing style.

Stephen Fitton, Director
Medical Services Administration

cc: Leslie Campbell, Region V, CMS
Pamela Carson, Region V, CMS
Ashley Tuomi, MHPA, Executive Director, American Indian Health and Family Services of
Southeastern Michigan
L. John Lufkins, Executive Director, Inter-Tribal Council of Michigan, Inc.
Jenny Jenkins, Acting Area Director, Indian Health Service - Bemidji Area Office
Lorna Elliott-Egan, MDCH

**Distribution List for L 15-09
January 29, 2015**

Mr. Levi Carrick, Sr., Tribal Chairman, Bay Mills Indian Community
Ms. Vicki Newland, Health Director, Bay Mills (Ellen Marshall Memorial Center)
Mr. Alvin Pedwaydon, Tribal Chairman, Grand Traverse Band Ottawa & Chippewa Indians
Ms. Loi Chambers, Health Director, Grand Traverse Band Ottawa/Chippewa
Mr. Kenneth Meshigaud, Tribal Chairman, Hannahville Indian Community
Ms. G. Susie Meshigaud, Health Director, Hannahville Health Center
Mr. Donald Shalfoe Sr., President, Keweenaw Bay Indian Community
Ms. Carole LaPointe, Health Director, Keweenaw Bay Indian Community - Donald Lapointe Health/Educ Facility
Mr. James Williams, Jr., Tribal Chairman, Lac Vieux Desert Band of Lake Superior Chippewa Indians
Ms. Sadie Valliere, Health & Human Services Director, Lac Vieux Desert Band
Mr. Larry Romanelli, Ogema, Little River Band of Ottawa Indians
Ms. Jessica Burger, Acting Health Director, Little River Band of Ottawa Indians
Mr. Fred Kiogima, Tribal Chairman, Little Traverse Bay Band of Odawa Indians
Ms. Sharon Sierzputowski, Health Director, Little Traverse Bay Band of Odawa
Mr. DK Sprague, Tribal Chairman, Match-E-Be-Nash-She-Wish Potawatomi Indians (Gun Lake Band)
Ms. Phyllis Davis, Health Director, Match-E-Be-Nash-She-Wish Potawatomi
Mr. Homer Mandoka, Vice Tribal Chairman, Nottawaseppi Huron Band of Potawatomi Indians
Ms. Rosalind Johnston, Health Director, Huron Potawatomi Inc. - Tribal Health Department
Mr. John Warren, Tribal Chairman, Pokagon Band of Potawatomi Indians
Mr. Matt Clay, Health Director, Pokagon Potawatomi Health Services
Mr. Steve Pego, Tribal Chief, Saginaw Chippewa Indian Tribe
Mrs. Karmen Fox, Executive Health Director, Nimkee Memorial Wellness Center
Mr. Aaron Payment, Tribal Chairman, Sault Ste. Marie Tribe of Chippewa Indians
Ms. Bonnie Culfa, Health Director, Sault Ste. Marie Tribe of Chippewa Indians - Health Center

CC: Leslie Campbell, Region V, CMS
Pamela Carson, Region V, CMS
Ashley Tuomi, MHPA, Executive Director, American Indian Health and Family Services of Southeastern Michigan
L. John Lufkins, Executive Director, Inter-Tribal Council of Michigan, Inc.
Jenny Jenkins, Acting Area Director, Indian Health Service - Bemidji Area Office
Lorna Elliott-Egan, MDCH

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of MICHIGAN

Methods of Payment of Reasonable Costs - Inpatient Hospital Services**I. Capital**

CAPITAL COSTS ARE REIMBURSED USING A HOSPITAL-SPECIFIC PROSPECTIVE RATE. A PROSPECTIVE PER-DISCHARGE AMOUNT WILL BE CALCULATED FOR MEDICAL/SURGICAL HOSPITALS, INCLUDING CRITICAL ACCESS HOSPITALS AND CHILDREN'S HOSPITALS. STATE-OWNED PSYCHIATRIC HOSPITALS, FREESTANDING REHABILITATION HOSPITALS AND DISTINCT PART REHABILITATION UNITS WILL BE REIMBURSED A PROSPECTIVE PER DIEM CAPITAL RATE.

WHEN CALCULATING THE PROSPECTIVE CAPITAL RATES, DATA FROM THE SECOND PREVIOUS STATE FISCAL YEAR WILL BE USED. FOR EXAMPLE, CAPITAL COSTS FROM A HOSPITAL'S SEPTEMBER 30, 2013 COST REPORT WILL BE USED TO CALCULATE THAT HOSPITAL'S 2015 PROSPECTIVE CAPITAL RATE.

EFFECTIVE JANUARY 1, 2015, THE CAPITAL AMOUNT FOR THE MEDICAL/SURGICAL COMPONENT OF THE HOSPITAL IS ESTABLISHED USING THE FOLLOWING LINES (OR COMPARABLE LINES FROM SUCCEEDING COST REPORTS) FROM THE HOSPITAL'S COST REPORT. THE DATA FOR ROUTINE CAPITAL COSTS IS OBTAINED FROM THE CMS 2552-10, WORKSHEET D, PART I, TITLE XIX COLUMN 7, LINES 30-35 AND 43. THE ANCILLARY CAPITAL COSTS ARE OBTAINED FROM THE CMS 2552-10 WORKSHEET D, PART II, TITLE XIX, COLUMN 5, LINES 50-77 AND 90-92. THE SUM OF ROUTINE AND ANCILLARY COST FOR FFS IS THEN DIVIDED BY THE MEDICAL/SURGICAL FFS DISCHARGES FOR THE SAME PERIOD TO CALCULATE THE HOSPITAL-SPECIFIC PROSPECTIVE PER DISCHARGE RATE. EFFECTIVE OCTOBER 1, 2015, THE FFS DATA DESCRIBED ABOVE WILL BE COMBINED WITH THE EQUIVALENT MANAGED CARE DATA TO CALCULATE EACH HOSPITAL'S CAPITAL RATE.

EFFECTIVE JANUARY 1, 2015, THE CAPITAL AMOUNT FOR FREESTANDING REHABILITATION HOSPITALS OR DISTINCT PART REHABILITATION UNITS IS ESTABLISHED USING THE FOLLOWING LINES (OR COMPARABLE LINES FROM SUCCEEDING COST REPORTS) FROM THE HOSPITAL'S COST REPORT. THE DATA FOR ROUTINE CAPITAL COSTS IS OBTAINED FROM THE CMS 2552-10, WORKSHEET D, PART I, TITLE XIX, LINE 41. THE ANCILLARY CAPITAL COSTS ARE OBTAINED FROM THE CMS 2552-10, WORKSHEET D, PART II, TITLE XIX, COLUMN 5, LINES 50-76.99 AND 90-92. THE SUM OF THE ROUTINE AND ANCILLARY COST FOR FFS IS THEN DIVIDED BY THE FFS REHABILITATION MEDICAID DAYS FOR THE SAME PERIOD TO CALCULATE THE HOSPITAL-SPECIFIC PROSPECTIVE PER DIEM RATE. EFFECTIVE OCTOBER 1, 2015, THE FFS DATA DESCRIBED ABOVE WILL BE COMBINED WITH THE EQUIVALENT MANAGED CARE DATA TO CALCULATE EACH HOSPITAL'S CAPITAL RATE.

~~The initial reimbursement for capital will be paid as a separate Capital Interim Payment (CIP). CIPs will be made using a monthly schedule (12 equal payments per year). The CIP amount will be set using cost data from the most recently filed cost report and an estimated impact of any applicable limits on capital. For example, capital costs from a hospital's October 31, 2011 cost report would be used to calculate the CIP amount for the hospital's fiscal period that ends October 31, 2013. CIP amounts will be set annually at the beginning of the hospital's fiscal year by combining Medicaid routine and ancillary capital costs from the CMS 2552-10.~~

~~The CIP amount for the medical/surgical component of the hospital is established using the following lines (or comparable lines from succeeding cost reports) from the hospital's cost report. The routine capital costs are obtained from the CMS 2552-10, Worksheet D, Part I, Title XIX Column 7, Lines 30-35 and 43. The ancillary capital costs are obtained from the CMS 2552-10 Worksheet D, Part II, Title XIX, Column 5, Lines 50-77 and 90-92.~~

~~The CIP amount for freestanding rehabilitation hospitals or distinct part rehabilitation units is established using the following lines from the hospital's cost report. The routine capital costs are obtained from the CMS 2552-~~

TN NO.: 15-0001

Approval Date: _____

Effective Date: 01/01/2015

Supersedes

TN No.: 13-07

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**State of MICHIGAN*****Methods of Payment of Reasonable Costs - Inpatient Hospital Services***

~~10. Worksheet D, Part I, Title XIX, Line 41. The ancillary capital costs are obtained from the CMS 2552-10, Worksheet D, Part II, Title XIX, Column 5, Lines 50-76.99 and 90-92.~~

CIPs CAPITAL AMOUNTS may be adjusted due to significant changes in capital costs that are not reflected in the most recent cost report.

~~After the end of the facility's fiscal year, the total amount paid under CIP is compared with total capital cost as reported on the filed cost report for that year less any capital limits that apply. Differences are reconciled against the final capital amount for the applicable hospital fiscal period. Final settlements are calculated beginning 27 months after the end of a hospital's fiscal year end. Final capital costs for an applicable hospital fiscal period are calculated by combining Medicaid routine and ancillary capital costs from the CMS 2552-10 for the applicable hospital fiscal period. The same lines used to determine the hospital's CIP amount described above are used to determine the hospital's final capital amount.~~

If a hospital has a separate distinct part psychiatric unit, separate CIPs, comparisons to actual costs and determination of appropriate limits will be made for the distinct part unit and the balance of the inpatient hospital.

The Medicaid share of allowable capital costs is determined using Medicare Principles of Reimbursement.

~~The limits on capital described in this section apply for fiscal years beginning on and after October 1, 1990. The net licensed beds days calculation for hospitals whose fiscal year begins after September 30, 1990 and before January 1, 1991 and that reduce their licensed bed capacity by delicensing beds or using the rural banked beds option before January 1, 1991 will be made as if the reduction occurred on October 1, 1990.~~

Net licensed beds are used to determine net licensed bed days for capital reimbursement and include all beds temporarily delicensed, except for rural banked beds, with rural as defined under section 2 below. Net licensed bed days are:

Total Licensed Bed Days - Rural Banked Bed Days

A hospital may apply for a reduction in net licensed beds days to subtract bed days unavailable due to construction or renovation. Such a reduction is only available for beds which are taken out of service for construction or renovation for a limited period of time and which are returned to active inpatient service at the end of the construction or renovation project. Documentation of the construction or renovation project will be required.

OCCUPANCY LIMITS DESCRIBED BELOW WILL BE OBSERVED WHEN THE HOSPITAL SPECIFIC CAPITAL RATES ARE SET.

Occupancy is: